

Message Text

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ACTION NEA-10

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FM AMEMBASSY KABUL
TO AMEMBASSY TEHRAN IMMEDIATE
INFO SECSTATE WASHDC 3064

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E.O. 11652: N/A
TAGS: BENC, BEXP, AF, IR

SUBJ: KANDAHAR CEMENT PLANT/IRANIAN AID TO AFGHANISTAN

REF: A. TEHRAN 5038 B. TEHRAN 5018

1. IN JUNE 8 MEETING WITH AMBASSADOR, AFGHAN MINISTER
OF PLANNING KHURRAM DECLARED FULLER/FISCHBACH CONTRACT NULL
AND VOID. KHURRAM, WHO LED THE RECENT ECONOMIC MISSION
TO TEHRAN, SAID IRANIANS ADAMANTLY REFUSED TO ACCEPT
TURNKEY CONTRACTUAL ARRANGEMENTS FOR THE PLANT.

IRANIANS INSISTED THAT FURTHER STUDY BE GIVEN TO THE PROJECT
WITH A VIEW TO WRITING A NEW CONTRACT (OR CONTRACTS) WITH
MAXIMUM IRANIAN PARTICIPATION AS SUPPLIERS OF SERVICES
OR EQUIPMENT -- OR BOTH. AMBASSADOR EXPRESSED KEEN
DISAPPOINTMENT OVER THIS DEVELOPMENT AND POINTEDLY ASKED
WHETHER THIS MEANT THAT THE GOA WAS GOING BACK ON ITS
CONTRACTUAL WORD. KHURRAM EXPRESSED APOLOGIES BUT SAID
THAT HE HAD HAD NO CHOICE; IT WAS EITHER GO ALONG WITH
THE IRANIAN POSITION, EVEN THOUGH IT WAS ILLOGICAL,
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OR LOSE ALTOGETHER FUNDING FOR THE PROJECT. HIS
HANDS, HE SAID, HAD BEEN TIED.

2. KHURRAM CHARACTERIZED HIS TEHRAN DISCUSSIONS AS
THE HARDEST HE HAD EVER EXPERIENCED. AT FIRST, THE
IRANIANS (TASLIMI) HAD SAID THAT, FACING A SEVEN
BILLION DOLLAR DEFICIT THIS YEAR, THEY COULD NOT

FINANCE THE CEMENT PLANT AT ALL. THEY WERE, IN FACT, WILLING TO FINANCE ONLY THREE PROJECTS: THE KANDAHAR COTTON TEXTILE PLANT (\$29 MILLION), THE HERAT SLAUGHTERHOUSE (\$4 MILLION), AND THE EXPORT PROMOTION BANK (\$10 MILLION), EVEN THOUGH THE IRANO-AFGHAN AID PROTOCOL SIGNED LAST YEAR CALLED FOR \$700 MILLION IN ASSISTANCE. KHURRAM, THOROUGHLY MIFFED, HAD REPORTED THAT IF HIS IRANIAN COUSINS WERE IN SUCH STRAITS, HE WOULD OFFER TO FOREGO THESE THREE PROJECTS IN ORDER TO ASSIST THE IRANIANS IN THEIR DIFFICULTIES. LATER, HE SAID, HE HAD A TWO-HOUR SESSION WITH MINISTER OF ECONOMY AND FINANCE ANSARY, WHICH GOT THINGS BACK ON THE TRACK. EVEN SO, THE KANDAHAR WOOLEN FACTORY (\$8 MILLION) WAS THE ONLY OTHER PROJECT ADDED, WITH THE CEMENT FACTORY SUBJECT TO FURTHER STUDY, AS NOTED ABOVE.

3. AN IMPORTANT CASUALTY WAS THE YAKHCHAI-DESHU ROAD PROJECT, WHICH IS PLANNED TO LINK AFGHANISTAN INTO THE IRANIAN ROAD NETWORK THROUGH THE SISTAN AREA AND THENCE TO BANDAR ABBAS. ACCORDING TO KHURRAM, THE IRANIANS HAVE HAD TO ABANDON THEIR OWN PLANS FOR PORT IMPROVEMENTS IN BANDAR ABBAS AND CONSEQUENTLY DECLINED TO FINANCE A ROAD PROJECT LEADING TO THE ALREADY CONGESTED PORT. IN RESPONSE TO OUR QUERIES, REGARDING THE RAILROAD PROJECT, KHURRAM SAID THE IRANIANS WERE AWAITING THE SOFRAIL PRE-ENGINEERING ROUTE STUDY REPORT (DUE IN JULY) BUT, IN HIS OPINION, THE PROJECT WOULD PROBABLY BE PUT OFF LIMITED OFFICIAL USE

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FOR 10-15 -- OR MORE -- YEARS AND/OR DONE PIECEMEAL.

4. COMMENT: KHURRAM WAS OBVIOUSLY NOT HAPPY WITH THE RESULTS OF HIS TRIP BUT HAD MANAGED TO SAVE SOMETHING FROM WHAT HAD THREATENED TO BECOME A DEBACLE. FULL EFFECTS OF THE IRANIAN CHANGE OF POSITION ON DEVELOPMENT ASSISTANCE TO AFGHANISTAN MAY BE BE VISIBLE FOR A TIME, BUT THEY ARE LIKELY TO PUT A SERIOUS CRIMP IN THE AFGHAN SEVEN-YEAR PLAN. WE ARE HOPEFUL THAT THERE WILL STILL BE OPPORTUNITIES FOR U.S. BUSINESS IN THE CEMENT PLANT PROJECT, BUT IT IS LIKELY TO BE SOME MONTHS BEFORE THE SITUATION IS CLARIFIED.

5. DEPARTMENT AND EMBASSY TEHRAN MAY WISH TO PASS PARA ONE AND LAST COMMENT IN PARA FOUR TO FULLER COMPANY IN TEHRAN AND CATASQUA AND FISCHBACH-OMAN IN DALLAS. PLEASE EXPRESS OUR SENSE OF DISAPPOINTMENT TO 85# *84,-.

ELIOT

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